



PRESS RELEASE

House National Security Committee

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OPENING STATEMENT OF CHAIRMAN FLOYD D. SPENCE (R-SC) **JOINT HEARING ON U.S. SATELLITE EXPORT POLICY**

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After yesterday's testimony, one point seems abundantly clear: at issue is not just the relatively narrow question of whether or not an American satellite company divulged military-related information to China without U.S. government authorization. Rather, the broader issue to consider is the extent to which national security concerns are being subjugated to commercial interests in the Administration's granting of licenses and waivers for the export of commercial communications satellites to China.

Yesterday's hearing only reinforced my longstanding view that U.S. policy with regard to high technology exports in general – and more specifically, as it relates to commercial satellites – is fundamentally flawed. There are significant similarities between space launch vehicles and ballistic missiles. The Administration's 1996 change in export control policies with respect to commercial communications satellites has encouraged U.S. industry to seek subsidized and lower cost Chinese launch services. Accordingly, it is easy to understand both China's and U.S. industry's desire to increase the reliability of Chinese boosters. Unfortunately, these are the same types of boosters that carry Chinese nuclear weapons.

U.S. export control policy should not, directly or indirectly, serve to facilitate China's capacity to target the United States with nuclear missiles... PERIOD. However, based on what we have learned to date, it is difficult not to conclude that improvement of Chinese ballistic missiles has been one practical effect of an export control policy that seems focused almost exclusively on profit margin.

Is allowing U.S. satellites to be launched on Chinese launch vehicles in the U.S. national security interest? Last month, in overwhelmingly bipartisan fashion, the House said no.

This morning we are likely to hear again and again that this controversy is not about the export of weapons or military technologies, but instead, that there really is no controversy at all since we are simply exporting commercial communications satellites for non-military uses. In reality, however, commercial communications satellites contain sensitive military technologies that can and do fall into the wrong hands. For

example, press reports indicate that the Loral satellite that crashed after launch in 1996 contained a sophisticated encryption device – a device that was never recovered by the United States and may have been confiscated by the Chinese at the crash site. If true, I cannot imagine that anyone in this room would argue that this is a benign development. Moreover, according to press reports just last weekend, China has increasingly been using U.S.-made commercial communications satellites to relay encrypted communications for the People's Liberation Army. Despite some of the inevitable smokescreen, we should not lose sight of the fact that what we are talking about involves a lot more than commercial satellites for non-military uses.

We will also likely hear that allowing China to launch U.S. commercial communications satellites is in the U.S. national interest because it is good for American satellite manufacturers. While none of us wish to needlessly inhibit the global competitiveness of American industry, neither should any of us countenance the selling of American advanced technology – technology with significant military applications – to the highest bidder. Moreover, in my opinion, the Administration's commercial satellite export control policy directly undermines the development of a competitive American space launch capability by removing the incentive for U.S. industry to make our own space launch services more cost-effective. Such a development surely is not in the interest of America's aerospace industry.

We may hear that China has not learned anything of military significance from these U.S. satellite exports that it does not already know, as evidenced by the fact that China has had the ability to target the United States with ballistic missiles since the early 1980s. However, China's ballistic missile program has not stood still these past two decades. Beijing is working overtime, and at great expense, to develop newer, more lethal, and more accurate ballistic missiles – including missiles with multiple warheads. And, as we discussed yesterday, since 1996, China has somehow been able to turn what was previously a notoriously crash-prone launch capability into one that now has a success rate of 100 percent. To argue that China's ballistic missile program has not benefited from launching U.S. satellites defies common sense and ignores reality.

We will hear that the Administration's loosened satellite export control policy provides important political leverage that encourages China to abide by its nonproliferation commitments. The premise of this argument, however, is that licenses will be denied or revoked if China misbehaves. In reality, this remains an unproven premise because the Administration has yet to say no. Not a single license or waiver request for an American satellite launch in China has been denied by the Administration. So where is the leverage? Indeed, despite China's repeated violations of its nonproliferation commitments, the Administration's transfer of licensing jurisdiction over commercial communications satellite exports to the Commerce Department served to avoid sanctions. According to documents recently released by the White House, the President's former National Security Advisor, Anthony Lake, noted in July 1994 that "Commerce-controlled satellites are not covered by the missile sanctions law and can therefore be processed for export to China". As was pointed out during yesterday's hearing, a compelling case can be made that the Administration's satellite export control policy could in fact be encouraging China to continue proliferating.

Finally, we will certainly be told today that the Administration's satellite export control policy simply continues the policies initiated under President Reagan and continued under President Bush.

My first point, as someone who is on the record in strong disagreement with actions taken by the Bush Administration in the export control arena, is that two wrongs do not make a right. My second point, however, is that there are significant differences between the Bush and Clinton Administrations when it comes to both satellite exports and sanctions. Under the Bush Administration, commercial satellites were handled under the more stringent State Department export control procedures, given the military utility of the technologies involved. These procedures are designed to give principal and priority consideration to national security factors in making an export decision. Under the Clinton Administration, satellite exports are now reviewed under Department of Commerce procedures – procedures that effectively downgrade national security considerations and elevate commercial and trade factors.

Further, under the Bush Administration, the Department of Defense – representing the national security perspective – effectively had a veto in the export license review process. Under the Clinton Administration procedures, DOD has been downgraded to one of four agencies that have a say, three of which must agree in order to block any proposed satellite export. Additionally, under the Bush process, all satellite exports required intrusive DOD monitors to ensure that no improper exchanges were occurring between the Chinese and American companies. Under Clinton, the requirement for monitors has been all over the map... from requiring virtually no monitors, to now finally moving back in the direction of the Bush policy.

In sum on this point, the General Accounting Office has concluded that the process changes adopted during the Clinton Administration have led to a situation where "Defense's power to influence the decision making process has diminished...". In my view, such a pattern of varied and important distinctions hardly qualifies as a continuation of past policies.

In conclusion, I want to step back (and I urge all my colleagues to step back) from the complexities and nuances of this debate, because the debate really is not that complicated. This controversy, this debate, is about whether, as a matter of policy, we should be making it easier for China to target the United States and other countries with lethal ballistic missiles. In my view, the answer is a "no-brainer"... the answer is no. Whether under the guise of diplomatic "engagement" or economic interest, the answer should always be an unequivocal no. It really is that simple.